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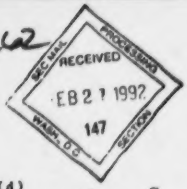

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SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGES ACT OF 1934

11

For the Quarter Ended
December 31, 1991

Commission File No.0-2209

Capitol Resources, Inc.

(Exact name of registrant as specified in its charter)

Kentucky	61-0624259
(State or other Jurisdiction of Incorporation or Organization	(I.R.S. Employer Idenfification Number)
134 Dixie Bldg. South Mayo Trail Pikeville, Kentucky	41502-2728
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (606) 437-7351

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, at the close of the period covered by this report:

Common stock no par value	110,687 outstanding as of December 31, 1991	

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CAPITOL RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

	December 31, 1991		September 30, 1991	
ASSETS				
Cash	$30,771		$45,476	
Accounts receivable, trade	17,867		47,945	
Accounts receivable, related party	190,922			
Accounts receivable, Columbia lawsuit	230,796			
Other	5,749		17,749	
Total current assets		484,090		111,170
Plant and equipment net of accumulated depreciation of $0 in December 1991, and $1,019,644 in September 1991		0		1,232,343
Excess of cost over fair market value of assets acquired net of accumulated amortization of $0 on December 31, 1991, and $15,907 on September 30, 1991		0		85,509
Total assets		$484,090		$1,429,022
LIABILITIES AND STOCKHOLDERS' EQUITY				
Accounts payable	$19,883		77,615	
Accrued expenses	21,350		85,351	
Current portion of long-term debt	0		405,637	
Due affiliated company	0		405,190	
Total current liabilities		41,233		973,793
Long-term debt		0		35,685
Total liabilities		41,233		1,009,478
Capital stock	302,485		302,485	
Paid-in capital	1,155,598		1,155,598	
Retained earnings	(932,616)		(955,929)	
Treasury stock	(82,610)		(82,610)	
Total stockholders' equity		442,857		419,544
Total liabilities and stockholders' equity		$484,090		$1,429,022

See accompanying notes.

CAPITOL RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended December 31, 1991		Three Months Ended December 31, 1990	
Revenues:				
Gas sales	$347,593		$272,504	
Settlement award from Columbia Gas	230,790			
Other income	16,571		14,766	
Total revenue		594,954		287,270
Expenses:				
Purchased gas	314,051		103,214	
Maintenance and operations expense	29,592		63,884	
Depreciation and amortization	6,817		41,213	
General and administrative expense	90,396		45,713	
Interest expense	5,877		18,966	
Total expenses		446,733		272,990
		148,221		14,280
Loss on the sale of substantially all of the assets of the company		(120,829)		
Net income		$27,392		$14,280
Per share of common stock (Based on average shares outstanding of 110,687 and 111,311 for 1991 and 1990 respectively				
Net income (loss)		$0.25		$0.13

See accompanying notes.

CAPITOL RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended December 31, 1991		Three Months Ended December 31, 1990	
Cash flows from operating activities:				
Net income	$148,221		$14,280	
Noncash items included in net income:				
Depreciation and amortization	6,817		41,213	
Loss on sale of stock and assets	120,829			
Other adjustments	(5,623)	270,244		55,493
Adjustments to reconcile net income to net cash provided (used) by operating activities:				
(Increase) or decrease in receivables	(379,626)		52,089	
Increase or (decrease) in payables	(526,922)	(906,548)	(26,707)	25,382
Net cash provided (used) by operating activities		(636,304)		80,875
Cash flows from investing activities:				
Sale of fixed assets	913,000			
Sale of Public Gas Company	162,000			
Net cash provided (used) by investing activities		1,075,000		0
Cash flows from financing activities:				
Acquisition of outstanding shares	(4,079)			
Repayment of long term debt	(441,322)		(66,117)	
Increase in deferred income taxes	0		4,250	
Net cash provided (used) by financing activities		(445,401)		(61,867)
Net increase (decrease) in cash		(6,705)		19,008
Cash at beginning of three months period		45,476		31,122
Cash at end of three months period		38,771		50,130

See accompanying notes.

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Changes in common stock, additional paid-in capital, retained earnings (deficit) and treasury stock for the three months ended December 31, 1991 were as follows:

	Common Stock	Additional Paid In Capital	Retained Earnings (Deficit)	Treasury Stock
Balance 9/30/91	$302,485	$1,155,598	$(955,929)	$(82,610)
Net Income (Loss)			27,392	
Reacquired shares of common stock			(4,079)	
Balance 12/31/91	$302,485	$1,155,598	$(932,616)	$(82,610)

2. On November 11, 1987, the registrant acquired Public Gas Company, a retail gas distributor, for $60,000 in cash. In addition, the registrant caused Public's notes payable to be paid in full on the date of closing. The excess of cost over fair market value of assets acquired or adjusted was $101,416, which is being amortized over 25 years. Total amortization to September 30, 1991 is $15,907 leaving a carrying value of $85,509.

3. Long-term debt due banks at December 31, 1991 and September 30, 1991 are:

Lender and terms:	December 31, 1991	September 30, 1991
First Security National Bank & Trust Company of Lexington, unsecured note payable in monthly installments, beginning September 1988, of $10,000 plus interest at the bank's prime rate plus 1.25% with a final balloon payment due March 29, 1992	note paid in full	$262,899
Pikeville National Bank & Trust Company, Unsecured note payable in monthly installments, beginning January 25, 1988, of $8,750 including interest at the bank's prime rate, with final payment due December 25, 1992	note paid in full	122,993

Pikeville National Bank & Trust Company, Note secured by the issued and outstanding stock of Public Gas Company, payable in monthly installments beginning January 25, 1988, of $3,936, including interest at the bank's prime rate, with final payment due December 25, 1992.	note paid in full	55,430
Total long-term debt due banks	-0-	$441,322

4. On November 26, 1991, the Company and Pan Bowl Production Company, Inc. a corporation wholly owned by two stockholders owning 79.6% of Resources' outstanding shares, completed the sale of substantially all the assets of the Company and Pan Bowl to a group of investors.

Under the terms of the agreement the Company sold all of the outstanding shares of Public Gas Company and substantially all of the remaining assets of the parent company and two other subsidiaries, consisting principally of fixed assets and wells interests for the aggregate consideration of $1,075,000. The sale resulted in a loss of ($120,829), represented by the excess of book value of assets sold, over the sales price. The proceeds of the sale was used to pay off all bank debt and other liabilities of the consolidated companies, which totaled $1,009,478 at September 30, 1991. The fixed assets and wells interests of Pan Bowl were sold for $535,000, and the proceeds of that sale were used to pay its obligations.

The Company retained certain assets including cash and receivables; and all rights to settlement of a lawsuit between the Company and Columbia Gas. Under the settlement agreement, the Company receives $377,189, of which $230,790 was paid on January 27, 1992, and was accrued in the financial statements for the fiscal quarter ending December 31, 1991. The remaining balance of $146,399 was scheduled to be paid on March 23, 1992, and while the bankruptcy court did not authorize Columbia Gas to make the second payment at the December 12, 1991 hearing, the Bankruptcy Court Judge suggested application be made at the appropriate later date.

5. The accompanying financial statements are presented in accordance with the requirements for Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principals or those made in the registrant's annual Form 10-K for the year ended September 30, 1991.

The statements have been prepared in accordance with the registrant's customary accounting practices and have not been audited. In the opinion of the management, all adjustments necessary for a fair presentation of this information have been made.

MANAGEMENT'S ANALYSIS OF THE CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

Three Months Ended December 31, 1991 Compared to Three Months Ended December 31, 1990

Net income for the three months ended December 31, 1991 totaled $27,392 or $.25 per share, compared with a net income of $14,280 or $.13 per share for the three months ended December 31, 1991.

Gross margin from the sale of natural gas was $33,542 in 1991, compared to gross margin of $169,290 in 1990, due entirely to the fiscal quarter shortened by the sale of substantially all of the assets of the Company on November 26, 1991. The consequences of the sale make the quarters generally not comparable, however there are significant items of income and expense which should be noted.

Included in income is $230,790 in partial settlement of class action suit against Columbia. Slightly over one-half of the settlement proceeds offset by loss on sale of Company assets in amount of ($120,829). Expenses decreased approximately ($170,000) as a result of substantial decreases in all categories except general and administrative costs due to legal and accounting expenses occasioned by detailed proxy statements and plan of liquidation in connection with completion of the sale.

Liquidity and Capital Resources

As of December 31, 1990, the Company had working capital of $4426857 as compared to negative working capital of ($862,623) on September 30, 1991. The resulting working capital ratios were 11.7:1 and .11:1 on December 31, 1991, and September 30, 1991, respectively. The increase in working capital of $1,305,480 is entirely attributable to the sale of the Company's fixed assets and wells interests.

The Company's principal source of working capital has been revenues from Columbia Gas. In previous years, advances were procured from related entities, and payment to them delayed until funds were available. In addition, in the past both short-term and long-term borrowings were available in conjunction with personal guarantees from the Company's two principal shareholders. However, was no assurance that such related party advances or personal guarantees will be available in the future. These factors made the sale of the Company assets the only viable alternative.

Effects of Inflation

During the eight most recent fiscal quarters, inflation was not significant. The Company is subject to the same inflationary trends found throughout the economy and reflected in higher prices for virtually all goods and services which it must purchase. The Company is not totally able to control the effects of inflation on increasing expenses.

PART II

Item 1. Legal Proceedings

On December 12, 1991, in the Chapter 11 bankruptcy proceedings form Columbia Gas Transmission Corporation ("Columbia Gas") in the United States Bankruptcy Court in Wilmington, Delaware, the bankruptcy court authorized Columbia Gas to pay the initial $15 million installment of the $30 million Settlement Fund payable to the class of plaintiffs in Enterprise Energy Corp., et. al. v. Columbia Gas Transmission Corp. Capitol Oil, a wholly owned subsidiary of the Company and a member of the plaintiff class, received its initial distribution of $377,231 from the Settlement Fund on January 27, 1992. From this amount, Capitol Oil distributed $146,441 to parties from which it has purchased natural gas sold under the gas supply contracts at issue in the litigation.

Columbia Gas was scheduled to deposit the second and final $15 million portion of the Settlement Fund on March 23, 1992. The bankruptcy court did not authorize Columbia Gas to make this second payment at the December 12, 1991 hearing. Counsel for the plaintiff class has advised the Company that it believes that Columbia Gas may still obtain bankruptcy court authorization to make a timely payment of the second $15 million, but there can be no assurance that the bankruptcy court will authorize the payment.

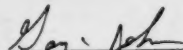
EXHIBIT INDEX

Exhibit No.	Description
2.	Not applicable
4.	Not applicable
11.	Not applicable
15.	Not applicable
18.	Not applicable
19.	Not applicable
20.	Not applicable
23.	Not applicable
24.	Not applicable
25.	Not applicable
28.	Not applicable

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereto, duly authorized.

CAPITOL RESOURCES, INC.



Gary E. Johnson
Chief Financial Officer

February 14, 1992
Date